REMARKS

In view of the following remarks, Applicant respectfully requests reconsideration and withdrawal of all grounds of objection and rejection. Claims 1-21 are pending in the present application. Claims 1 and 12 are independent. Applicant hereby amends claim 13 to correct a typographical error. Specifically, the number "5" is being replaced with the mathematical variable "S", which is defined in claim 13. No new matter is introduced by way of this claim amendment. Acceptance is respectfully requested.

In the Office Action, claims 1-21 stand rejected under 35 U.S.C. § 102(e) as being anticipated by U.S. Pat. No. 6,778,968 ("Gulati").

Applicant respectfully submits that Gulati fails to disclose every element of the invention as claimed in independent claims 1 and 12. Applicant provides a method and corresponding computer system that manages a financial transaction between an issuer of a note, such as an exchangeable bond or other debt obligation, and an investor buying the note. In particular, the claimed system manages a financial transaction in which the note is exchanged into one or more exchanged traded items, such as stocks, of the issuer's portfolio. The claimed system manages this financial transaction by calculating an exchange ratio between the issuer's note and exchange traded items of the issuer's portfolio based on a current benchmark index and a current price of the exchange traded items. When the note matures or either the issuer or the investor requests an exchange, the claimed system delivers at least one exchange traded item to the investor in accordance with the calculated exchange ratio.

In contrast to the claimed invention, Gulati discloses an automated exchange system that controls the exchange of ownership interests in objects, such as loans, on a secondary market

(see Abstract). For example, when a borrower borrows money from a lender, the borrower signs

and delivers a promissory note, promising to repay the loan, to the lender (see col. 1, ll. 14-23).

The lender may then sell the loan on a secondary market to an investor (see Fig. 5). The

automated exchange system disclosed in Gulati includes sub-exchanges that control this

secondary market transaction. A secondary portfolio auction sub-exchange estimates a value of

a secondary market object, such as a loan, based on time-varying external factors and auctions

the loan among investors participating in the auction (see col. 10, ll. 8-23, col. 6, ll. 8-65, and

Figs. 6 and 13).

Gulati, however, nowhere discloses or even suggests a system that calculates an exchange

ratio between an issuer's note, such as an exchangeable bond, and exchange traded items, such as

stocks, of the issuer's portfolio based, in part, on the current price of the exchange traded items

as claimed in Applicant's independent claims (e.g., Claim 1: "calculating an exchange ratio

between the note and at least one exchange traded item of the portfolio based on...a current price

of the at least one exchange traded item"). As described above, Gulati's system estimates the

value of secondary market objects, such as mortgaged-based securities, but the system does not

take the next step and calculate an exchange ratio. Gulati does not even suggest calculating an

exchange ratio because Gulati's system is directed to the sale of secondary market objects as

opposed to the exchange of an issuer's note for an exchange traded item of the issuer's portfolio.

Indeed, Gulati does not disclose or suggest an expression for calculating an exchange ratio

similar to the expression claimed in dependent claims 4 and 13 of Applicant's application as

originally filed.

In addition, Gulati nowhere discloses or suggests a system that <u>delivers the exchange</u>

<u>traded items, based on the calculated exchange ratio</u>, to the investor <u>when the issuer's note</u>

<u>matures or an exchange is requested</u> as claimed in Applicant's independent claims (e.g., Claim 1:

"delivering at least one exchange traded item in accordance with the calculated exchange ratio to

the investor upon an exchange request of either the issuer or the investor or upon maturity of the

note"). Gulati only discloses a system that finalizes a transaction for the exchange of ownership

interests in secondary market objects <u>when it determines that a buyer's bid information meets a</u>

<u>seller's transaction criteria</u>.

Gulati also fails to disclose or suggest the limitations of the dependent claims. For

example, Gulati fails to disclose or suggest averaging the exchange ratio (claim 5) over a

predetermined period of time (claims 6 and 14). As another example, Gulati fails to disclose or

suggest automatically delivering at least one exchange traded item a predetermined period of

time after receipt of the exchange request, after maturity or after notification of the investor

(claims 10 and 18).

For all the reasons discussed above, Applicant respectfully requests that the rejection of

Claims 1 and 12 and the claims dependent upon Claims 1 and 12 be withdrawn.

CONCLUSION

In view of all of the foregoing amendment and remarks, Applicants respectfully request

reconsideration, withdrawal of all grounds of rejection, and allowance of claims 1-21.

Respectfully submitted,

Date: February 12, 2007

Seth M. Cannon

Proskauer Rose LLP
One International Place
Boston, MA 02110
Tel. No.: (617) 526-9712
Fax No.: (617) 526-9899

Reg. No. 59,636
Attorney for the Applicant